



North Carolina Department of Health and Human Services  
**Division of Budget and Analysis**  
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Michael F. Easley, Governor  
Carmen Hooker Odom, Secretary

James B. Slate, Jr., Director

August 29, 2007

**MEMORANDUM 2007-06**

TO: Division Directors  
Office Directors

FROM: Jim Slate 

SUBJECT: DHHS Vacant Position Reduction

In House Bill 1473, the Legislature effected a recurring reduction in vacant positions across State government. In this bill, Section 6.17(a) states that reductions in vacant positions will take place throughout state government in order to create a recurring annual savings of \$10,038,466 for each year of the 2007-2009 fiscal biennium. We have since learned from the Office of State Budget and Management that the DHHS share of this reduction will be \$4,000,000.

The attached schedule presents the allocation by Division of this \$4,000,000 budget reduction. The allocation per Division was chosen after reviewing a number of allocation scenarios. Each of these scenarios focused on basing the share of reduction per Division on the availability of state funding budgeted in positions within each division. We looked at scenarios that considered state funding per Division for all permanent positions as well as those that only considered state funding in permanent vacant positions as of July 2007. The resulting allocations were relatively similar using either approach. Ultimately, we decided to base reductions on the estimated state share of funds budgeted to vacant positions within each Division.

Additionally, we reviewed limiting reductions to include only non-critical care positions. However, due to the limited number of vacancies in non-critical care positions throughout the Department, this was not a viable option for either the distribution of this reduction or for the planned elimination of vacancies. For these reasons and to offer the most flexibility in making necessary reductions, all vacant positions may be considered for elimination.

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The reductions allocated to each division are to be accomplished by eliminating vacant positions, and reducing the salary and fringe benefit accounts associated with each position. For cost allocated positions, this will also require a reduction to the receipts associated with each position that is eliminated. While these reductions must come from reductions in vacant positions and corresponding reductions to 1XXXX accounts, there is no specific requirement for numbers of FTEs to be reduced. We are hopeful that this will offer some flexibility in making these reductions.

The legislative intent of this reduction was the elimination of vacant positions. Filled positions are not eligible for reductions as part of this effort. The use of available salary reserve toward this reduction will also be limited only to amounts needed to bring reductions to balance out to the required Division reduction after vacancy reductions have been determined and associated salary and fringe amounts have been calculated. Any exceptions to either of these policies will need approval from the Division of Budget and Analysis. If necessary, please direct your request to your analyst in this office.

Please have your Division budget officer initiate a type 11 budget revision transferring the funding in the amount identified on the attached schedule to budget code 19015. These revisions should be completed as a two year revision which will transfer appropriations by journal entry and will be included in BPS in preparing the 2009-11 continuation budgets. Please have these revisions submitted to this office by September 30, 2007.

*With this guidance we are also releasing Divisions from the hiring approval and freeze release requirements that have been in place as detailed in the memo sent to Division Directors by Kathy Gruer on July 30, 2007. Freeze Guidelines dated July, 2005, which were in effect before July 30, 2007, remain in place.*

Please contact your analyst in this office if you have any questions.

JBSjr:rk

Attachment

cc:	Dempsey Benton	Carmen Hooker Odom
	Dan Stewart	Division Budget Officers
	B&A Budget Analysts	Jackie Sheppard
	Jennifer Hoffman	

**Allocation by Division of \$4M Reduction for Vacant Positions  
As Required by House Bill 1473  
August, 2007**

8/29/2007

<b>Budget Code</b>	<b>Division</b>	<b>Required Reduction</b>
14410	Central Management and Support*	\$ 290,369
14411	Aging and Adult Services	\$ 7,176
14420	Child Development	\$ 25,278
14424	Office of Education Services	\$ 298,749
14430	Public Health	\$ 589,540
14440	Social Services	\$ 166,849
14445	Medical Assistance	\$ 139,528
14450	Services for the Blind\Deaf\Hard of Hearing	\$ 17,814
14460	Mental Health\DD\SAS	\$ 2,296,841
14470	Health Service Regulation	\$ 59,715
14480	Vocational Rehabilitation	\$ 108,141
<b>Department Total</b>		<b>\$ 4,000,000</b>

\* Additional guidance will be forthcoming from the Division of Budget and Analysis regarding reduction targets for the individual offices within Central Management and Support.